

HONORABLE RON PAUL OF TEXAS Opening Statement Committee on Financial Services
World Bank Hearing

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Of all the elements of the Bretton Woods system, perhaps the most enduring has been the World Bank and its associated institutions. Although highly regarded in some circles, the Bank has been a significant failure in helping the residents of poor and developing nations.

Like many bureaucracies, the World Bank has constantly attempted to reinvent itself and redefine its mission. Some critics have referred to this as “mission creep.” It is the reaction of self-interested bureaucrats who are intent on saving their jobs at all costs. The non-institutional elements of Bretton Woods, such as the gold-backed dollar standard, have gone by the wayside, but the World Bank and the IMF soldier on.

What is most annoying about the World Bank are the criticisms alleging that the Bank and its actions demonstrate the negative side of free-market capitalism. Nothing could be further from the truth. The World Bank is not an organization devoted to capitalism, or to the free market, but to state-run corporate capitalism. Established and managed by a multitude of national governments, the World Bank promotes managed trade, by which politically connected individuals and corporation enrich themselves at the expense of the poor and middle class.

Western governments tax their citizens to fund the World Bank, lend this money to corrupt Third World dictators who abscond with the funds, and then demand repayment which is extracted through taxation from poor Third World citizens, rather than from the government officials responsible for the embezzlement. It is in essence a global transfer of wealth from the poor to the rich. Taxpayers around the world are forced to subsidize the lavish lifestyles of Third World dictators and highly-paid World Bank bureaucrats who don't even pay income tax.

The World Bank has outlived its intended purpose. Capital markets are flush with money and well-developed enough to lend money not just to national governments but to local and regional development projects, at competitive market rates. In the aftermath of Mr. Wolfowitz's departure, much will be made of the question of his successor, when the questioning instead should be directed towards the phasing out of the organization.